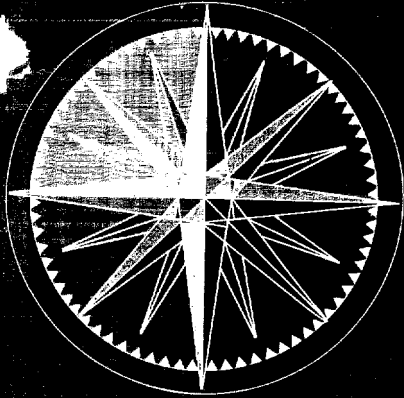


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7 August 1964

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WEEKLY SUMMARY

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

USAF review(s) completed.

DIA review(s) completed.



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C O N T E N T S

(Information as of 1200 EDT, 6 August 1964)

THE VIETNAMESE CRISIS

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The bloc has responded to the US air strikes with a strident propaganda campaign seemingly aimed at deterring further US military action. No indication of Communist military action against the US or its allies has been detected.

FREE WORLD REACTION TO THE VIETNAMESE CRISIS

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Reaction has ranged from full support from some of the major pro-Western nations to condemnation from some of the neutralists. The dominant theme in press and radio commentary is fear that the conflict might develop into a major war.

THE COMMUNIST WORLD

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Bucharest is avoiding actions which might offend Moscow but is continuing careful efforts to expand contacts with the West and maintaining correct relations with Peiping.

LOW WATER HAMPERS TRANSPORT TO BERLIN

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THE VIETNAMESE CRISIS

The bloc has responded to the US air strikes against North Vietnam with a strident propaganda campaign seemingly calculated to deter the US from further military action. No indication of Communist military action against the US or its allies, however, has been detected.

Hanoi's first propaganda reaction to the military action in the Gulf of Tonkin occurred on 5 August. Admitting that its naval units attacked the US destroyer Maddox on 2 August, it claimed that the ship was violating North Vietnamese territorial waters and that the action was in self-defense. The second naval engagement with the Maddox and the C. Turner Joy on 4 August has been denied. A Hanoi military communiqué of 5 August, broadcast to domestic audiences, reported the US air strike, but avoided any indication that substantial damage was inflicted. The wording of the communiqué indicates that Hanoi hopes to use the US action to spur patriotic and military fervor among its people.

Peiping delayed direct commentary for more than three

days. Then a government statement and an editorial in People's Daily reiterated previous warnings that the Chinese people will "not sit idly by" and stated flatly that "aggression by the US against the Democratic Republic of Vietnam means aggression against China." Peiping avoided any threat of retaliation at this time, and underscored the role of "Vietnamese" forces in defending the DRV. Perhaps to prepare justification in advance for deployment of Chinese forces into the DRV, the government statement on 6 August asserted that because the US has "lit the flames of war" in Indochina all signers of the Geneva agreements now have the "right" to assist the North Vietnamese.

The only extensive Soviet commentary on the crisis is contained in a mildly worded TASS statement of 5 August. This statement, which seemed calculated to arouse opposition to US policies in Southeast Asia, warned only that "further rash steps or provocations" could result in a dangerous and broad conflict.

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Approximately half of North Vietnam's estimated 46 high-speed torpedo boats and patrol craft were apparently destroyed or damaged by the US air strike. Of 30 vessels observed during the reconnaissance missions after the strike, 8 were sunk, 6 severely damaged, and 14 others hit. Twelve of 14 large petroleum storage tanks at Vinh were also destroyed. The pilot of a US aircraft downed at Hon Gay during the strike was observed by fellow fliers in a parachute descent, possibly to a point on land. Hanoi has claimed the capture of a US pilot on the strike mission, but has given no details.

It is clear that Hanoi had made the decision, as of 2 August, to attack any enemy craft, including US units, which it believed might be planning hostile action. Three days before the attack on the Maddox, the South Vietnamese had conducted a maritime raid on two of North Vietnam's offshore islands. The Maddox approached the same Islands, and the Communists may well have believed that it was connected with or involved in the 30 July raid.

Hanoi may have believed that its failure to prevent the numerous recent incursions was leading to an increased level of harassment which could be halted only by a forceful response. North Vietnamese naval capabilities, although generally limited, are best suited to coastal attacks on medium-size surface vessels, and Hanoi presumably hoped for some success in the naval engagement.

North Vietnam apparently was surprised, however, by the intensity and nature of the US reaction. Hanoi's propaganda response was comparatively slow in coming and has not contained any threats of retaliation against the US or its allies, or any claims of impending military support for North Vietnam from other bloc nations. Hanoi has lumped the US strike with other of its recent allegations of US bombing and maritime incursions, in an apparent effort to demonstrate that the US is engaged in a deliberate campaign of armed military action against North Vietnam.

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FREE WORLD REACTION TO THE VIETNAMESE CRISIS

The reaction of the free world to the US air strikes in North Vietnam has ranged from full support from some of the major pro-Western nations to condemnation from some of the neutralist countries. The dominant theme in press and radio commentary has been a general fear that the conflict might develop into a major war.

In London, Prime Minister Douglas-Home and Foreign Secretary Butler supported the right of US warships to defend themselves against "unprovoked aggression" in international waters. The back-America theme also ran prominently in both conservative and left-wing dailies, although the influential Guardian was critical of the US action.

In Paris, government spokesmen have so far refrained from comment, although UN Ambassador Roger Seydoux has officially supported the Soviet call for participation by North Vietnam in Security Council discussions of the incident. Part of the French press has interpreted the torpedo boat attacks as an attempt by Peiping to sabotage the American-Soviet detente. The Gaullist press sees the current

crisis as reinforcing Paris' call for an international conference on the area.

West German officials have pledged full support for the US while expressing their concern about the situation. President Johnson's action has been praised in the West German press.

In Italy, Foreign Minister Saragat has sent a personal message to the US Embassy saying that he supports the US action in Vietnam. Premier Moro reportedly is considering including a statement affirming Italian solidarity with the US in the parliamentary debate on his center-left government.

In the Far East, SEATO governments have given firm support to the US, and SEATO representatives in Bangkok have privately approved the action. Most of the neutralist governments of the area have so far avoided official comment. However, the Cambodian press charges the US with aggression, and Indonesian officials privately have asserted that "this could be the beginning of the end of US influence in Asia." Student demonstrations against the US are possible, particularly in Cambodia.

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The initial, unofficial Japanese reaction was "shock," but a subsequent official statement said the government believed the US response was "inevitable" under the circumstances. About 100 demonstrators with "Yankee Go Home" signs gathered before the US Embassy in Tokyo but were dispersed by police.

In India, Prime Minister Shastri called an emergency cabinet meeting following receipt of President Johnson's message, and issued a statement expressing his grave concern over the Vietnamese incidents.

Near Eastern propaganda media have not given vent to any significant reaction so far, and there has been only scattered responses from Africa. Pro-Western governments, such as Sudan and Nigeria, have expressed understanding of the US position, Dahomey's prime minister observed that the "Chinese Communists obviously are behind all this." The South African Government has indicated full support. In Al-

geria, on the other hand, students sought to organize an anti-US demonstration. The Ghanaian press, running true to form, has condemned US "imperialism" and predicted a sharp reaction from Communist China.

Latin American official commentary has been limited thus far to statements sympathetic to the US position by Dominican and Venezuelan authorities.

Press and radio reactions from several other countries of the hemisphere have struck a common note of apprehension lest the conflict escalate. Cuban propaganda has roundly condemned the US for "committing aggression" against North Vietnam.

The two major Canadian parties clearly put the blame on North Vietnam and were generally sympathetic to the US response. Above all, Canadians were relieved that the US is stressing limited response.

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The Communist World

RUMANIA'S INTERNATIONAL POSITION

While Rumanian and Soviet leaders say they achieved "a better mutual understanding" during their mid-July meeting in Moscow, Bucharest's foreign policy has remained geared to ensuring maximum flexibility for developing its "independent" status. It now is avoiding public actions which would give direct offense to Moscow, while nevertheless continuing careful efforts to expand contacts with the West, maintaining correct relations with the Chinese Communists, and defending its views on relations between Communist countries.

Rumanian Premier Maurer, who led a high-ranking delegation to France from 27 July to 3 August

Although the French state that nothing of great import was broached during the talks--presumably including the private ones between Maurer and De Gaulle--Rumania gave considerable propaganda coverage to the visit,

and Paris regards it as a useful beginning. A scientific and technical collaboration agreement was signed, and negotiations for a cultural agreement, a consular convention, and a long-term trade agreement will be launched in the fall.

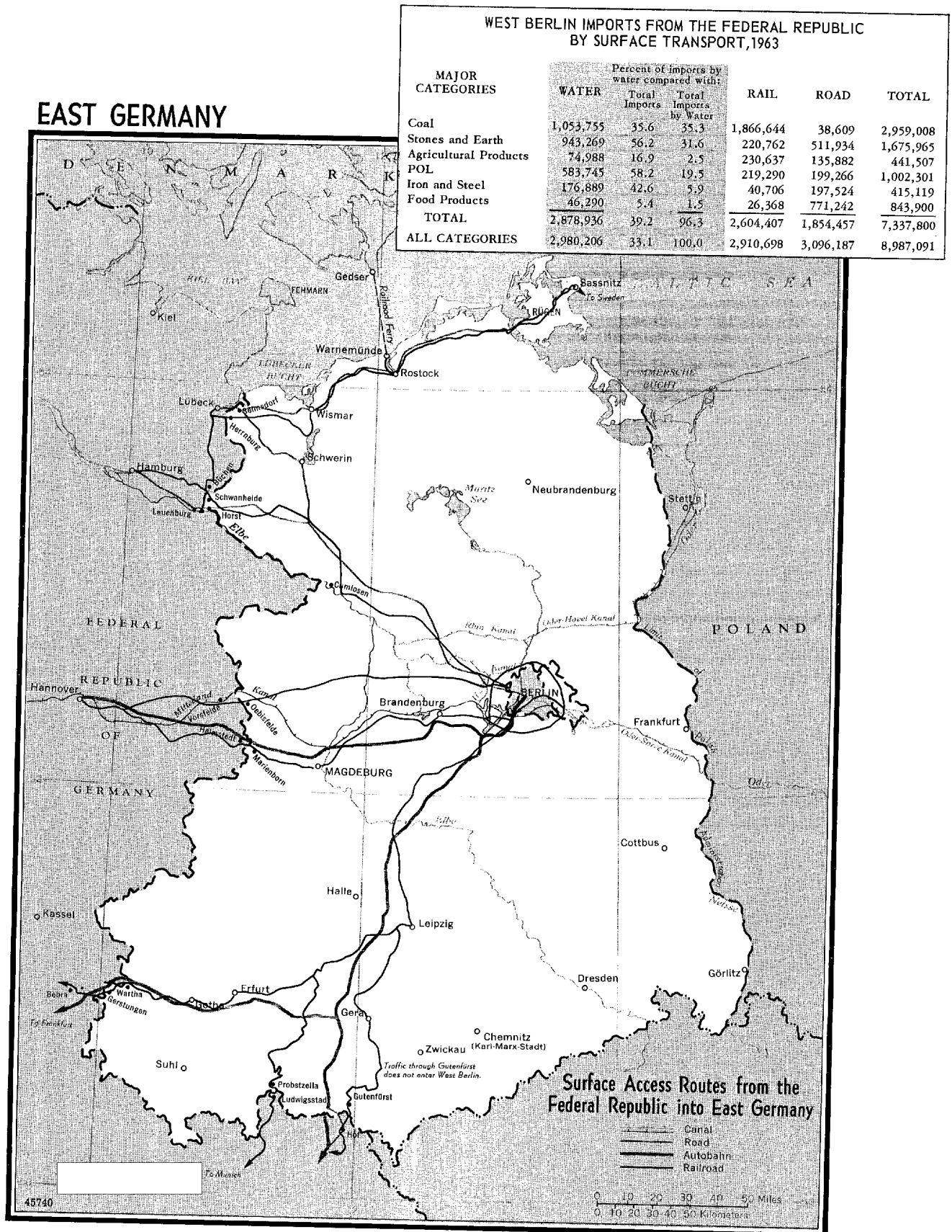
The Rumanians told the French that Soviet party secretary Podgorny's 27-28 July visit to Rumania did not concern Maurer's visit to Paris but dealt with Moscow's proposal for an early international Communist conference, which the Rumanians have yet to support publicly.

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Rumania did make a concession to the USSR in July by resuming publication of the Rumanian-language edition of the international Communist movement's monthly journal, Problems of Peace and Socialism. The April issue was the last Bucharest had printed. The Rumanians probably relented because Moscow publicly repudiated the proposal in an obscure Soviet academic journal for a lower Danubian economic complex and because Problems of Peace and Socialism meanwhile had published Rumania's 22 April declaration of independence.

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The Communist World

LOW WATER HAMPER'S TRANSPORT TO BERLIN

Unusually low water levels in rivers and canals in East Germany may soon close the Mittelland and Elbe waterways between West Germany and West Berlin. Portions of other East German waterways have already been shut down. The water table, which had been falling gradually for some time, dropped sharply during the extremely hot and dry weather in July. No significant amount of rain is predicted for August.

A cessation of barge traffic will inconvenience but not cripple West Berlin, as goods normally shipped by barge will reach Berlin but may be delayed considerably. Barge freight consists of mainly heavy, bulky items such as coal, petroleum products, and construction materials and diverting it to trucks would be costly. To transport the entire amount by railroad would require an average of 12 additional trains daily--or almost double the present number. Negotiations to this end are in progress between the East and West German railroads and in the interzonal trade channel. East Germany has not yet responded, however, and because of its own increased needs, will probably be unwilling to supply locomotives and crews for more than one or two trains a day.

Even so, no shortages are expected to develop in Berlin in the near future because stockpiles of these goods are adequate to maintain current consumption levels for periods up to one year. There are no indications that the Communists will use the transportation issue to cause a crisis in Berlin.

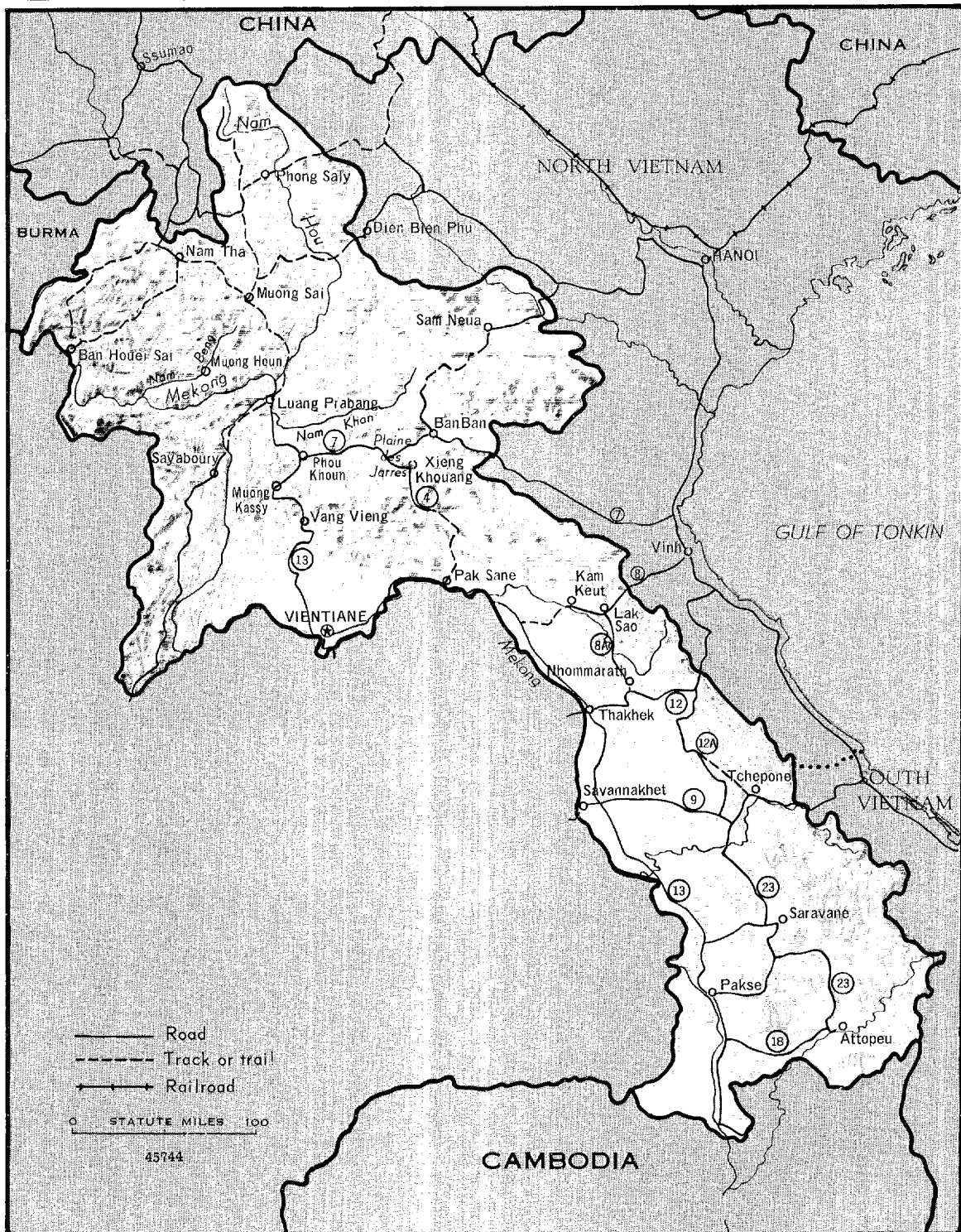
The West Germans meanwhile are seeking to reduce the freight backlog at Helmstedt. Critical items are being shipped to Berlin on a priority basis and the Senat is seeking to postpone shipments usually transported by barge. Poland and West Germany are pressing East Germany to permit Poland to ship fuel oil and cement--which make up some of the backlog at Helmstedt--directly to Berlin instead of first to West Germany.

The low water levels are already interfering with economic activity in East Germany. Diversion of barge traffic to railroads will cause serious bottlenecks throughout the transportation system. Moreover, dry weather has retarded development of some crops such as oats, potatoes, and sugar beets, as well as pastures in southern East Germany. Winter grains now being harvested--over half the total grain crop--apparently have not been affected.

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LAOS



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Asia-Africa

DEVELOPMENTS IN LAOS

Laotian Government troops have succeeded in clearing Pathet Lao forces from Route 13 between Phou Khoun and Muong Kassy. The Communist forces, heavily outnumbered, seem to have taken up positions in the surrounding hills and probably remain relatively intact. While there is as yet no evidence of a countermove by the Pathet Lao in this area, they could, if reinforced, pose a threat to continued government control there.

In Vientiane, a recrudescence of infighting among the rightists appears for the moment to have been brought under control following a meeting of rival rightist generals. Earlier in the week General Kouprasith claimed to have uncovered a plot --allegedly backed by General Phoumi--to wrest power from the revolutionary committee which has controlled the capital since the 19 April rightist coup. Some arrests were made, and military units in the town were placed in an alert status.

Soviet leaders in their talks in Moscow last week with

British Foreign Secretary Butler implied that the USSR will formally disclaim any further responsibility as a Geneva conference co-chairman now that Washington and London have rejected the Soviet demand of 26 July for a new 14-nation Laos conference without preconditions. On 31 July, Foreign Minister Gromyko not only rejected the British counterproposal for a full conference, but also turned down a variety of proposals calling for the co-chairmen or the International Control Commission to help bring the three Laotian factions together for talks.

A high-level Polish Foreign Ministry official told the British ambassador on 29 July that, about two weeks earlier, the Soviets had indicated that they would withdraw, taking the line that Laos caused too much trouble in proportion to its interest to the USSR. During the past year, Moscow has manifested increasing frustration at being publicly involved in a situation over which it has little control. Its actions as co-chairman have usually irritated the US and Britain, and not infrequently the North Vietnamese and the Pathet Lao as well.

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Asia-Africa

AREA NOTES

South Vietnam: There were four large-scale Viet Cong attacks during the past week, two of battalion size and two of company size. The level of all the Communist terrorist and military activity, however, was considerably less than that of the previous two weeks, although still above the weekly average for the first half of 1964. The incident rate was particularly low in the mountainous northern provinces. Viet Cong casualties and weapons losses also declined.

General Khanh used the US air strikes against North Vietnam (see page 1) as an opportunity to make a bid for national unity. He may also proclaim a state of emergency, a step he has previously hinted he desires. Khanh's position as prime minister seems firm at this moment, [REDACTED]

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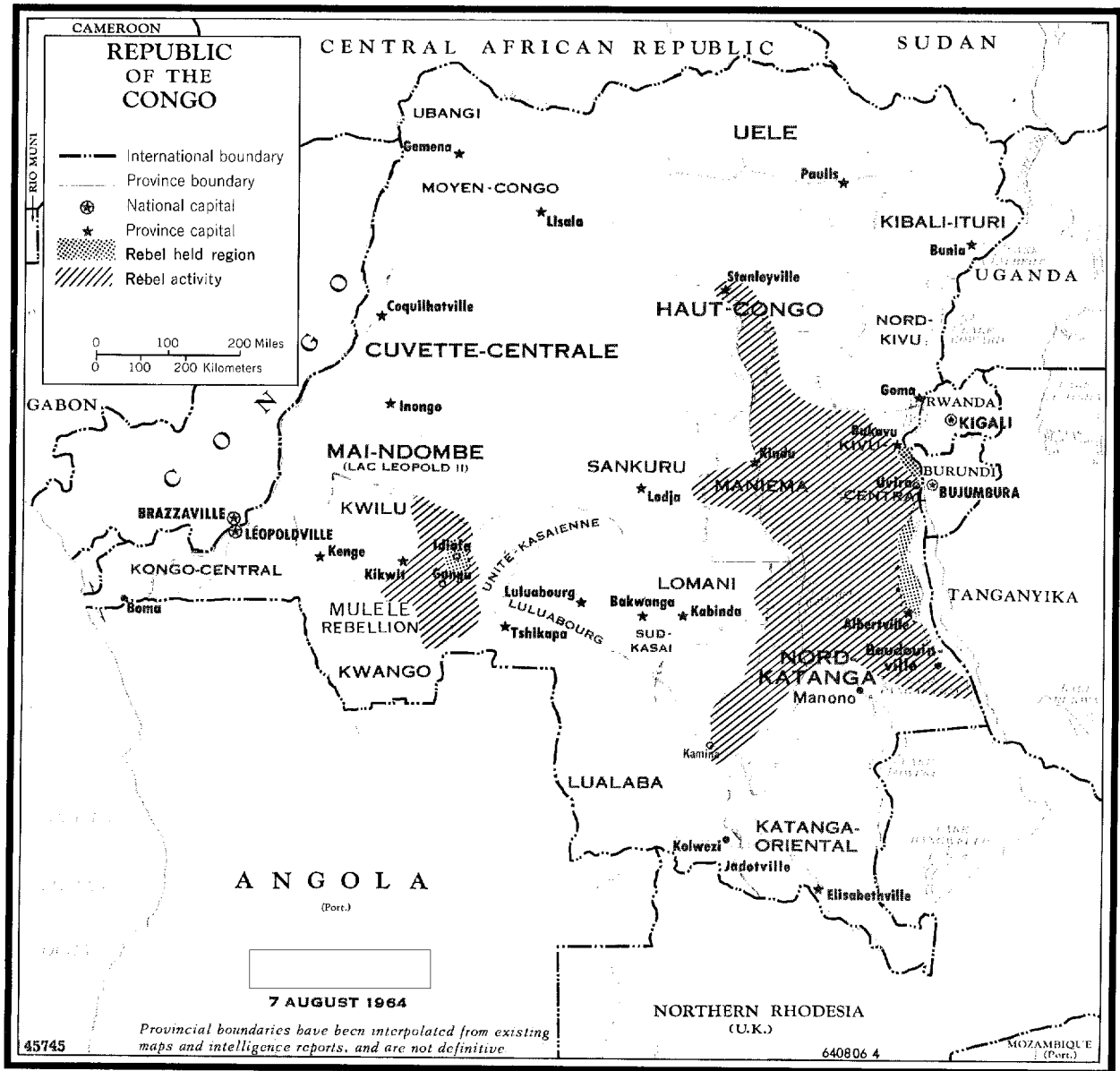
Syria: Reports that Syrian Prime Minister Bitar will soon resign reflect the continued tensions within the Baathist military regime. Bitar's appointment last May was apparently designed to placate hostile civilian business groups, but the ineffectual premier has failed to win any new popularity for the regime. His efforts to revitalize the Syrian economy have been hamstrung by radical Baathist military officers, many of whom opposed his appointment. The projected National Front, another Baathist scheme to broaden the govern-

ment's base of support, has not materialized.

Led by strong man Amin al-Hafiz, the more moderate leaders within the Baathist/military alliance have thus far contained the Baathist radicals. [REDACTED]

[REDACTED] As long as the present leadership hangs together and maintains its control over the army, it will be difficult to dislodge. [REDACTED]

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Asia-Africa 25X1

CONGO REBELS MAKE STRIKING GAINS

The Leopoldville government's position in eastern Congo has sharply deteriorated with the fall of Stanleyville into rebel hands.

On 5 August, insurgents began broadcasting from the radio tower at Stanleyville airport, the Congo National Army (ANC) headquarters lost radio contact with the city, and a UN representative in Stanleyville told Leopoldville that the ANC had fled.

If the rebels consolidate, the capture of the country's third city will have far-reaching consequences. An insurgent regime based in Stanleyville is likely to be declared, Bukavu on the eastern border is almost certain to fall, and ANC units throughout the eastern Congo probably will dissolve. Included in the dissolution will be three of the ANC's five least unsatisfactory battalions.

Bukavu's capture would probably be closely followed by an invasion of nearby Rwanda by Tutsi refugees who make up a sizable proportion of the rebels surrounding Bukavu. The refugees, now well armed with weapons from the ANC, are eager to re-establish their dominance in Rwanda.

The shock of the news from the east may cause President Kasavubu to have second thoughts about the advisability of retaining Tshombé as premier, but it is unlikely for the time being that he will seriously consider an

alternative.

Tshombé's chances of containing the rebellions may not be as dark as they seem at the moment. The rebels remain weak and divided, and have been successful so far principally because of the paucity of opposition. It seems unlikely at present that a dissident regime set up in Stanleyville would have effective control over either its territory or its followers.

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Asia-Africa

AREA NOTE

Congo (Brazzaville): The year-old revolutionary regime in Brazzaville is leaning increasingly to the left. Ties with Communist countries, slow to develop at first, are now proliferating. Communist China, which last month provided a \$5-million no-interest credit, is leading the way. A Soviet economic study mission now is in Brazzaville and may soon conclude an aid agreement. French influence, already waning, is likely to dwindle further when Paris carries out its decision to withdraw all its troops by December.

On 2 July the regime formed a single political party, the National Revolutionary Movement (MNR). Directed by a ten-man politburo, the MNR has recommended radical reforms in the

name of "scientific socialism." Moderate elements are continuing to lose ground to extremists, 25X1 who support ambitious and pragmatic Premier Pascal Lissouba.

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Asia-Africa

TANGANYIKA-ZANZIBAR UNION DEVELOPING SLOWLY

25X1 President Nyerere believes prospects for effecting a real union of Tanganyika and Zanzibar are much improved. He thinks that Tanganyikan officials assigned to the island are doing their jobs well and acquiring substantial influence over their Zanzibar colleagues. Nyerere admits, however, that a basic political and psychological problem remains and that the next six months will be "difficult."

Nyerere thinks that Zanzibar Vice President Karume's naiveté may have been dispelled somewhat by exposure to the Commonwealth and Organization of African Unity meetings, and that it now may be possible to wean him away from his overdependence on the Communists, particularly the East Germans.

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Major steps have recently been taken to integrate the two police forces. Zanzibar's police now are paid at the same rates as their Tanganyikan counterparts, and 200 of them left for Dar es Salaam on 31 July. An

equal number of Tanganyikans will replace them on Zanzibar.

Many young pro-Communists remain on Zanzibar, however, despite Nyerere's efforts to remove them. Some probably still have Karume's ear, and a number are in positions where they can influence Zanzibari ministers.

Soviet and Chinese Communist advisers are continuing to train units of the Zanzibar Army, and there is some indication that Nyerere is considering transferring them to the mainland, the better to control their activities.

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Introduction of Communist advisers into Tanganyika, as distinct from Zanzibar, would complicate Nyerere's problems with West Germany--still unhappy about the East German Embassy which remains on Zanzibar despite an order from Dar es Salaam to reduce it to a consulate. West German officials feel that the presence of Communist advisers in Tanganyika "would not necessarily" lead to cancellation of the military assistance agreement Bonn signed with Tanganyika on 28 July. However, such a situation might induce the West Germans to press Nyerere for a satisfactory solution of the East German representation issue.

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Asia-Africa

THE CYPRUS SITUATION

Greek Cypriot harassment of Turkish Cypriot positions during the past week was more intense than at any time in the past three months, while economic and psychological pressures against the Turkish community are also being further stepped up. Greek Cypriot patrol boats armed with 20- and 40-mm. cannon have begun patrolling off Cyprus' northwest coast and are reported to have fired on several small boats suspected of smuggling.

The Greek Cypriot forces are also showing mounting hostility and contempt for the UN forces, especially around Limassol on the south coast, where most Greek Cypriot arms shipments are being received. UN patrols in this area have been forced at gunpoint to abandon their positions. Other patrols have been fired upon and restricted in movement.

In the countries contributing to the UN force, there is concern that such obstructionism will negate the force's peace-keeping mission and that the world-wide image of the "blue beret" will be damaged. UN commander Thimayya has suggested that the Security Council be called into session to consider the problem. However, early this week, after Thimayya strongly protested to Makarios against the treatment of UN troops, the Cypriot President appeared to have relented somewhat and promised to relax restrictions on the UN's freedom of movement.

Makarios nevertheless is becoming more intransigent over Western efforts to promote a ne-

gotiated settlement. Following discussions in Athens last week with top Greek officials, he denounced the Geneva talks between Greek and Turkish representatives and announced to the press that Dean Acheson's suggestions for resolving the Cyprus crisis were "absolutely unacceptable." Makarios further stated that the Greek Government held a similar view.

Although Greek leaders are no longer certain they can control Makarios, they continue to feel that they have enough influence over him to gain Cypriot approval of any settlement they can reach with the Turks. They especially decry Makarios' independent actions, which they regard as highly dangerous in view of the persistent threat of Turkish military intervention.

Forces in southern Turkey continue to hold military exercises, although they are not the "biggest army maneuver in the history of the Turkish Republic" as promised. There has been no unusual naval or air force activity, and the US Army attaché in Ankara believes it would take 24-48 hours for the Turks to put an amphibious force to sea.

Cyprus, however, continues to be closely watched in Ankara, and the US ambassador there senses a psychological build-up in the direction of intervention on Cyprus. A major attack on either the Turkish Army contingent on the island or on the Turkish Cypriot forces could trigger retaliation at least in the form of air strikes from Turkey.

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Europe

ADZHUBEY'S VISIT TO WEST GERMANY

An Erhard-Khrushchev meeting, which had seemed likely prior to Aleksey Adzhubey's recent visit to Bonn, now appears a virtual certainty. Chancellor Erhard agreed with the son-in-law of the Soviet leader on the desirability of a German-Soviet summit, but the two apparently failed to settle on locale or agenda.

Erhard reportedly stuck to his position that Khrushchev should come to Bonn and that any useful discussion would have to touch on German unification. Erhard, who has never shown any particular desire to visit Moscow, has maintained that it is Khrushchev's turn to repay the Adenauer visit to Moscow in 1955. So far as is known, no formal invitation was issued by Erhard, nor was one requested by Adzhubey.

Adzhubey, throughout his visit, made clear the lack of Soviet "give" on the German problem, preferring instead to strike such chords as the possibility of improved understanding and the prospect for better trade relations. Moscow may next come forward with some new initiatives on Germany and European security. Such moves would be calculated to influ-

ence political issues in West Germany by encouraging competition between the Erhard government and Willy Brandt's Social Democrats on the question of "flexibility" in dealing with the USSR and East Germany in the period prior to next year's election.

In fact, the German official press spokesman indicated that Bonn now would await the next step by Moscow. The feeling appears to predominate, however, in official and unofficial West German circles that a Khrushchev visit will occur, although perhaps not before early next year.

In the meantime, a debate is likely to ensue in the Federal Republic as to the wisdom of an Erhard-Khrushchev confrontation. The question has already been raised as to the utility of a meeting which presumably could make no progress on unification and which could degenerate into an exchange of recriminations. Advocates of a meeting, on the other hand, note that Adzhubey laid out a promise of progress on such lesser issues as a Berlin pass agreement and a renewal of the German-Soviet trade pact, and have concluded that even a lessening of tensions would be a sufficient reward.

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Europe

NEW MOVES TOWARD AFRICAN ASSOCIATION WITH THE EEC

African interest in the EEC has been newly whetted by the Yaoundé Convention between the Common Market and 18 former African territories of France, Belgium, and Italy which came into effect in June. The convention renews for another five years the association between these countries and the EEC, provides them with \$730 million in economic aid, and links them in a preferential trading system with the community.

These arrangements give them a distinct advantage which is a source of growing concern to other African states--notably Nigeria. Some 37 percent of Nigeria's trade is with the EEC, and its principal exports compete with those of its EEC-associated neighbors. At Nigeria's request the EEC recently began formal negotiations with it for some type of association.

These talks are being watched as a test case in both the EEC and in Africa. West Germany and the Netherlands--always uneasy about EEC "discrimination" in Africa--appear eager to conclude an agreement with Nigeria which could perhaps set the stage for the Commonwealth members in East Africa to follow suit. France, however, has always had the decisive voice in determining the EEC's African policies, and the position Paris will take

in this instance is still unclear. Although probably not averse to seeing Continental influence extended in Africa at the expense of Britain and the Commonwealth, the French are also reluctant to see the EEC's trade-and-aid pie sliced a little thinner.

The next few months may also see some clarification in the EEC's relations with Tunisia and Morocco, both of which were mentioned as candidates for association in the EEC treaty. Their representatives recently completed satisfactory preliminary discussions with EEC officials in Brussels, and it is now up to the Six to decide whether to approve the opening of formal negotiations. Algeria is still undecided about what to do, and its discussions with the EEC have thus far been inconclusive.

Any negotiations with the North Africans are likely to be fairly lengthy. Italy is reluctant to have increased trade competition from other Mediterranean countries, and there is a general EEC reluctance to pick up another French tab. Nevertheless, the French economic, military, and political presence in North Africa is declining and association with the EEC now may represent the best means of preventing a bloc effort to fill the vacuum created by French withdrawal.

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Europe

AREA NOTE

Italy: Premier Moro delivered a hard-hitting address to the Italian Parliament last week in an effort to rally broad popular support for his new government. The four-party program emphasizes that a reconstituted and effective center-left coalition is essential to avoid disintegration of Italy's democratic institutions. All factions of his fellow Christian Democrats (CD) and in the Socialist Party (PSI) followed party discipline and endorsed his government.

Despite this formal show of unity, however, the CD Fanfani faction and powerful conservative elements in the party are opposed to the new government. The fate of Moro's administration depends largely on the outcome of CD factional infighting, particularly on how successful the pro - center-left forces are in coping with conservative opposition to reforms. Ex-premier Fanfani and other

party leaders such as Treasury Minister Colombo can be expected to try to undermine Moro in order to advance their personal ambitions.

Strong opposition to Moro's program also continues within the PSI, but a majority of the party leadership is determined to make it effective. The party's newspaper--under new editorship --has given the program forthright support.

The new program gives priority to economic stabilization over long-needed social and economic reforms. Revised policies regarding these reforms have been tailored with the intention of restoring business confidence. The reformist aims of center-left collaboration are thus in abeyance, which creates a strong risk that the Socialist Party may lose some of its popular support to the Communists.

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Western Hemisphere

SOVIET MILITARY PERSONNEL WITHDRAWAL FROM CUBA

The last major withdrawal of Soviet military personnel from Cuba has apparently been completed. Since the missile crisis of 1962, over 20,000 Soviet servicemen have left Cuba in four major withdrawal periods, the peaks of which occurred in November 1962, March 1963, November 1963, and June 1964. About 5,000 personnel were withdrawn during each of these periods. The most recent one extended from early May through early August, during which time 14 Soviet passenger ships sailed between Cuba and the USSR.

No more than 800 passengers are known to have arrived on these 14 ships, and most of these were Cubans who arrived on two of the last three ships. During

the next several weeks Cuban students traveling to the USSR for the fall semester are expected to fill most of the billets on Soviet passenger ships returning to the Soviet Union.

No Soviet combat units remain in Cuba. What remains of the original Soviet force of more than 22,000 troops is a military advisory and technical assistance group of some 2,000 personnel. Additional departures and some rotation of personnel can be expected from time to time, but an organization of this type will probably remain as long as the Cuban armed forces depend on the USSR for technical assistance in maintaining their complex Soviet-supplied equipment.

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AREA NOTE

Bolivia: For two months a band of some 80 guerrillas has been terrorizing farmers in Santa Cruz Department in eastern Bolivia. On 2 August it ambushed a 25-man national police contingent, killing one policeman and wounding five others, including a US public safety adviser. An army airlift has been laid on to suppress the band.

Until the ambush, the government seemed little concerned

about the guerrillas, whose primary motivation appeared to be smuggling. However, there may be some connection between them and a protracted local power struggle between two peasant leaders for control of Santa Cruz Department. It is also possible that the band has been infiltrated by pro-Communists and has insurrectionist ideas of its own.

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Western Hemisphere

BRITISH GUIANA HAS LULL IN VIOLENCE

The security situation in British Guiana has improved since the 165-day sugar workers' strike ended on 25 July, but this probably represents just a temporary lull in violence. Continued sporadic incidents reflect the high racial tensions between East Indians and Negroes. Premier Jagan is sending his own children out of the country.

The response to the governor's appeal that all firearms be turned in by 27 July has been poor. About 70 percent of licensed firearms were turned in, but very few of the estimated 5,000 unlicensed guns were received. The police now are offering cash rewards for information leading to recovery of unlicensed guns or to conviction of persons involved in acts of violence.

East Indians have admitted that their community has many of these weapons, but argue that they are needed for self-defense. The governor has urged those wishing to keep their weapons to form racially mixed home guard or vigilante units, and the formation of such groups is increasing. Some 3,600 persons were recently organized in the capital alone.

The sugar strike ended primarily because Jagan's People's

Progressive Party (PPP) was having trouble keeping the workers out. It has thus failed in its bid to control the sugar workers and obtain recognition for the PPP-controlled Guiana Agricultural Workers Union (GAWU). Although the sugar producers did not agree to the resumption-of-work terms sought by GAWU, they are cooperating and re-employing as many strikers as the crop situation will permit. GAWU is thus unlikely to gain support for another walkout in the near future.

In ending the strike the PPP may also have wished to free those party activists not in jail for political work, including acts of terrorism, to delay elections and solidify the East Indian community behind Jagan. Jagan is still hedging on whether or not the PPP will contest the elections London hopes to hold in the fall, but he and his party are increasingly open in expressing their fears of losing them. This probably reflects in part the growing discontent among East Indians over the racial strife PPP policies have provoked. A recent example of this was a petition from Jagan's home area calling for partition of the country--an idea he is known to oppose.

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Western Hemisphere

BRAZILIAN GOVERNMENT STILL COMBATING ECONOMIC PROBLEMS

The Brazilian Government continues to devote its major efforts to combating long-standing economic difficulties. Progress in this endeavor has been hampered lately because the government's revolutionary aims and programs have drawn increasing opposition from the public, which is more interested in immediate palliatives than in sacrifices to gain improvements over the long term. Special interest groups are also more outspoken in their hostility to particular measures. However, the government--and especially President Castello Branco--shows no inclination to dilute its programs to gain popularity, and its opponents pose no significant threat at this time.

The government is striving to develop a realistic budget for 1965 and is planning development programs for the next few years. It apparently has also made some progress in curbing inflation. Living costs, which rose about 24 percent during the first three months of 1964 under the Goulart regime, increased by some 15 percent during the second quarter.

The immediate economic outlook, however, is still bleak. Businessmen and industrialists continue to exert pressure on the administration for price increases despite the government's determination to resist them. Manufacturers of many durable consumer goods are reportedly on the verge of announcing increases of up to

30 percent. Shortages of certain commodities, such as wheat and salt, are a matter of some concern. Unemployment and industrial layoffs are increasing because of cutbacks in production.

Politically, the government appears to be at least temporarily on firmer ground as the result of the recent constitutional amendment extending the presidential term of office by almost 14 months. Although congressional action on this and other amendments and legislation indicates that executive-legislative relations are very good by Brazilian standards, Castello Branco is maneuvering to win an even larger base of congressional support. Such an attempt could result in the formation of a genuine "government bloc" within congress that would cut across traditional party lines--and eventually to a drastic realignment of Brazil's 13 legal parties.

At the moment the most vocal political opposition comes from Guanabara Governor Carlos Lacerda. A forceful critic of earlier governments and an avowed presidential candidate, Lacerda seems to have decided that such a course will, in the next election, do him more good than identification with the government. Castello Branco's prestige remains high, however, and neither Lacerda nor other oppositionists have yet attacked him personally.

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